

Legal Update



Annual Tax on Corporations Passes

Costa Rica passes an Annual Corporation Tax which will begin on **APRIL 1, 2012**



We have time. The law has built into it some grace periods. The law comes into effect on April 1, 2012 and has a six month grace period to transfer assets out and a 3 month grace period to dissolve the corporation.

1. **Transfer Asset out.** Inactive companies will be exempt from transfer taxes and registration fees for a one time transfer to an individual or another corporation.
2. **Dissolution.** Corporations which are dissolved during the months of April, May and June will be exempt from paying the tax.
3. **Corporate Officers and Directors** will have one (1) year in which to resign from their positions.

Due date. The tax will be due by April 1, 2012 this year only after that it will be due January 1st of each year. For this year the proportional amount due will be:

Active: 135,000 [\$267] Inactive: 67,500 [\$134]

How Much ?

The law imposes an annual corporation tax on “active” and “inactive” corporations.

Active: 180,330 Colones [US\$ 357]

Inactive: 90,175 Colones [\$178.50]

The amount of tax to be paid is actually based upon the base salary of a government employee. Active is 50% of base salary and inactive is 25% of base salary. As such the amounts will change as the base is adjusted. Also keep in mind the exchange rate as well.

SANCTIONS AND FINES

1. Once the grace period is over. The legal representatives of the corporations will be **PERSONALLY** liable for any outstanding annual tax.
2. Interest Penalty and Fines set forth in the Tax Code area



applicable as well.

3. National Registry will not issue certificates of standing nor record any documents related to corporate modifications if the annual tax is outstanding.

MORE IN DEPTH

The Issue of Personal Responsibility of Corporate Officers and Directors

One of the hideous parts of the law is that it transfers to the corporate officer or director that has the legal authority over the

corporation the liability for any outstanding annual tax fees. The law allows these corporate officers or directors a

period of one year - until April 1, 2013 to resign from any corporate positions they may be on to avoid the personal liability. To do so they must first serve notice at the legal domicile of the corporation of their resignation. Then they must appear before a Notary Public to document the resignation and have the Notary record it in the National Registry.

Automatic Dissolution For Non-Payment

The law has a provision which imposes a mandate to the corporate registry to automatically dissolve any corporation which has three (3) payments (3 years) in arrears.

Exemptions to the Tax

The law has an exemption for those taxpayers which carry

out permanent productive activities as micro and small businesses which have been duly registered as such before the Ministry of Economy, Industry and Commerce (MEIC).

Voluntary Dissolution

The law provides for the voluntary dissolution of a corporation when there is a unanimous approval to do so by the corporate shareholders. In the past the formal voluntary

dissolution of a corporation was cumbersome and expensive and hence rarely done. The law will allow a Notary Public to dissolve a corporation when requested to do so by all the shareholders of the corporation.

The Exemption from Transfer Taxes and Stamps to Transfer Assets

When you transfer real estate in Costa Rica you trigger a transfer taxes, registry fees and stamp of about 2.3% for vehicles that amount is about 3.3%. The law will exempt a one time transfer for a period of six months the transfer of assets held in corporations which are transferred to an individual or another corporation.

You can download the full text of the law [HERE](#)



Calendar

April 1, 2012

Law comes into effect - tax due

April 1 - June 1, 2012

Time Frame to Dissolve Corporations

April 1 - Oct 1, 2012

Tax and Stamp Duty Exemption Period to Transfer assets out of the corporation

April 1, 2013

One year period for Corporate officers and directors to remove themselves from the corporation.

If you have questions or comments please contact me at:

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